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TAGS: [ECON](#) [EINV](#) [TW](#) [CH](#)

SUBJECT: MORE "EFFECTIVE MANAGEMENT" COULD AFFECT  
CROSS-STRAIT IC INVESTMENT

REF: A. TAIPEI 1376

[1](#)B. TAIPEI 1626

Classified By: Acting AIT Director David J. Keegan, Reason 1.5 b

Summary

[1](#)1. (C) After the April 5 meeting of senior Chen administration and DPP officials on cross-Straits relations, the Taiwan government has announced a new emphasis on the "effective management" portion of its "active opening, effective management policy" (ref B). "Difficult to manage" policies will be reviewed by a meeting of cabinet members on April 9 and 10. Comments by Mainland Affairs Council (MAC) Chairman Joseph Wu suggest this may cause further delay in the approval of Mainland investment in the semiconductor packaging and testing industry. The Ministry of Economic Affairs (MOEA) Investment Commission is preparing a report on its cross-Straits policies for senior review. Despite MAC's comments, outside observers have told AIT/T they expect any delay in cross-Straits liberalization measures to be short. End summary.

[1](#)2. (U) After the April 5 meeting of senior Chen administration and DPP officials on cross-Straits relations, the Taiwan government has announced a new emphasis on the "effective management" portion of its "active opening, effective management policy." Premier Frank Hsieh's instructions to relevant agencies on how to implement more "effective management" as announced by the Executive Yuan's (EY) spokesman indicated that the overall policy would not be changed. However, relevant Taiwan government agencies were instructed to reevaluate policies that are "difficult to manage" and submit them for review by higher government authorities. Hsieh will host a two-day meeting of cabinet members on April 9 and 10 to discuss these policies. Hsieh's instructions indicated that likely topics for discussion include passenger charter flights, agricultural exports, Taiwan investors' rights, media exchanges, law enforcement cooperation, tourism, and service sector liberalization.

MAC ) IC Packaging and Testing a Likely Target

[1](#)3. (C) MAC Chairman Joseph Wu told the press April 6 that the approval of investment in the Mainland in the semiconductor packaging and testing and petrochemicals industries would be put off for further review. As reported ref B, MAC officials had previously informed us that they have been ready to approve IC packaging and testing investment but after the passage of the Anti-Secession Law had decided to put off an announcement until May. At that time, MAC officials had already decided that liberalization for petrochemicals manufacturing, specifically naphtha crackers, would require further study and would be delayed longer. Wu's linkage of the two categories suggests that the legalization of IC packaging and testing may be delayed significantly beyond May. MAC Senior Secretary Lee Li-Jane confirmed to AIT/T that IC packaging and testing would likely be delayed longer than previously anticipated. She was unable to say how much longer.

[1](#)4. (U) The media reported that representatives of several major Taiwan IC packaging and testing firms -- namely Advanced Semiconductor Engineering Inc., King Yuan Electronics Co. and Siliconware Precision Instruments Co. -- had warned that if Taiwan did not authorize Mainland investment this year it would be too late for Taiwan firms to penetrate successfully the PRC market. Taiwan Electrical and Electronics Manufacturing Association Chairman Lo pointed out to the press that Intel already had packaging and testing facilities in the PRC.

Investment Commission Preparing Study

[1](#)5. (C) MOEA Investment Commission Deputy Executive Secretary Emile Chang told AIT/T that as of April 7 the Investment

Commission, which approves and regulates Taiwan firms' investment in the Mainland, had not been instructed to alter any of its cross-Strait policies or procedures. Chang said that Economic Affairs Minister Ho Mei-yueh had instructed the Commission to conduct a survey of its policies and prepare a report with recommendations on how to enhance "effective management" within the next few days. He noted that the Minister's instructions were quite vague.

#### Outside Observers See Short Delay

16. (C) Various business and academic observers have indicated to AIT/T that they do not foresee any major changes in the Chen administration's approach to cross-Strait economic affairs, despite MAC's new emphasis on "effective management." National Chengchi University Professor Tung Chen-yuan told us that he believes that the Taiwan government will continue to hold back cross-Strait exchanges and economic initiatives for a month or two and then resume efforts for further liberalization. Chinese National Federation of Industries Deputy Secretary General Tsai Horng-ming told AIT/T that the Taiwan government had consulted with him on this new approach and that he was confident that the review of cross-Strait exchange and economic policies would not dramatically slow down liberalization. He was very optimistic that the review would improve the environment for cross-Strait business by rationalizing Taiwan's policy.

KEEGAN